

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 779 – SB 749

March 14, 2016

SUMMARY OF ORIGINAL BILL: Declares that, for any street de-annexed by a city on or after May 1, 1998, the city shall submit a map of the de-annexed area to the Commissioner of Finance and Administration for the purpose of the Commissioner revising and reallocating funds to the appropriate city or county. Prohibits a municipality from de-annexing certain territory, including roads, streets, and right-of-ways, without two-thirds vote of the county legislative body. Requires consent by a majority of voters for a municipality to de-annex territory. Establishes procedures for county election commission to conduct a vote for de-annexation after ten percent or more of registered voters in the municipality petition the county election commission that an election be held for such purpose. Removes current provision stating that three-fourths of voters have to assent to de-annexation. Removes language from statute stating that the effective date for any contraction is the date of the ordinance, and replaces it with language stating when the contraction is done by election.

FISCAL IMPACT OF ORIGINAL BILL:

Local Revenue – Net Impact – Not Significant/Permissive

Local Expenditures – Net Impact – Not Significant/Permissive

Other Fiscal Impact – Permissive shifts in revenue and expenditures from one local government entity to another. The extent of any such shifts cannot be determined and are dependent upon the unknown, permissive, and future actions of cities and counties.

SUMMARY OF AMENDMENTS (013024, 013763): Amendment 013024 deletes all language after the enacting clause. Requires a municipality to submit a map of de-annexed streets or roads to the Commissioner of Finance and Administration within six months of the effective date of this legislation becoming law. Within one year of the submission of such plans, the Commissioner is required to equitably reflect the changes to the municipality's boundaries and to revise and relocate any funding distributed to the municipality or county for improvement or maintenance of streets or roads. A municipality may elect to rescind the de-annexation of the street or road within six months of the effective date of this legislation becoming law.

Establishes procedures for county election commissions, in Marshall, Washington, Sullivan, Hamilton, Knox and Shelby counties, to conduct a vote for de-annexation in an election held in accordance with Tenn. Code Ann. § 6-51-202 after 10 percent or more of the registered voters in

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the municipality have petitioned the county election commission for an election held for such a purpose. Prohibits future de-annexation referendums, if voters fail to approve the measure in the initial referendum.

Requires all municipal jurisdictions to cease over the territory de-annexed from the municipality's corporate limits on the date the results of the election are certified other than the responsibility of general obligation debt issued during the annexation period. Authorizes municipalities to continue to levy taxes in the de-annexed territory to pay the de-annexed territory's percentage of tax base it represents at the time of de-annexation.

Amendment 013763 amends Amendment 013024 by increasing the number of registered voters who reside in a territory previously annexed by ordinance upon the initiative of the municipality that became operative or effective on or after May 1, 1998, required to petition the county election commission to hold an election to de-annex such residential territory from 10 percent to two-thirds of the registered voters before any such election is held.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- This legislation does not require municipalities to de-annex territory. Any action taken is permissive.
- Based on information from the Comptroller's Office and the Department of Finance and Administration, the provisions of this legislation will not impact state government.
- De-annexation elections will be held during regularly-scheduled city- or county-wide elections. Any fiscal impact resulting from adding a vote for de-annexation to a regularly-scheduled election is estimated to be not significant.
- Based on information from the Comptroller's Office, any change in revenue and expenditures to counties and municipalities resulting from the de-annexation of property will be offset by a like change in revenue and expenditures to other counties or municipalities. Although funds will shift from one government entity to another, the net impact to local governments as a result of the de-annexation of property is zero.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Handwritten signature of Krista M. Lee in blue ink, with the letters "RNC" written in smaller blue ink to the right of the signature.

Krista M. Lee, Executive Director

/amj